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ARIZONA CORPORATION COMMISSION

July 12, 2004

The Honorable Trent Franks
The U.S. House of Representatives
1237 Longworth Building
Washington, D.C. 20515

G-01032E-03-0515
E-01032C-00-0751
G-01032A-02-0598
E-01933A-02-0914
E-01032C-02-0914
G-01032A-02-0914

Re: UniSource/Pinnacle West Contract Renegotiations

Dear Congressman Franks:

Chairman Spitzer copied me on your June 14, 2004 letter regarding Guardian Industries. I, too, am concerned about the high cost of electricity in Mohave County and its effect on economic development efforts.

I recently met with Guardian Industries to discuss its plight. During our meeting, I promised to contact representatives from UniSource Energy, Pinnacle West, and Mohave Electric Cooperative to explore Guardian's possible options of buying cheaper power.

Subsequently, I personally contacted Jim Pignatelli, President and CEO of UniSource, and Bill Post, CEO of Pinnacle West, about renegotiating the purchased power contract. Since UniSource has no generation capabilities in the area, it buys power from Pinnacle West, the parent company of APS, to distribute in Mohave County.

Unfortunately, Messrs. Pignatelli and Post indicated the near impossibility of changing the contract, as the cost of electricity at the wholesale level has steadily risen over the last few years. Because of our dependence on natural gas-fired generation and high cost of natural gas, I do not expect the cost of power to decrease in the near future.

Mr. Pignatelli assured me that UniSource would allow Guardian to buy wholesale power from a competitive supplier. To that end, I called a Bob Broz, CEO of Mohave Electric Cooperative, informing him that Guardian may be looking for an alternative energy supplier. At this point, negotiations must occur between Guardian and Mohave Electric Cooperative. I have relayed this information to Guardian.

I hope Guardian is successful in finding a less expensive source of electricity.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jeff Hatch-Miller".

Jeff Hatch-Miller, Commissioner

Cc: Parties of Record